

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02
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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 2835

INFO ALL EC CAPITALS 3013

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

USMISSION GENEVA

USMISSION OECD PARIS

USDEL MTN GENEVA

C O N F I D E N T I A L EC BRUSSELS 643

E.O. 11652: GDS

TAGS: ETRD, EEC

SUBJECT: EC COMMISSION QUESTIONS ITALIAN CREDIT TO THE SOVIET UNION

1. SUMMARY. EC COMMISSION OFFICIALS TELL US THAT THE TERMS OF AN ITALIAN OFFICIAL EXPORT CREDIT TO THE SOVIET UNION MAY BE IN VIOLATION OF THE OECD SHIPBUILDING SECTORAL AGREEMENT AND THE ROME TREATY. GOI OFFICIALS DENY THIS, CLAIMING THAT THE JAPANESE HAD OFFERED CONCESSIONAL TERMS TO GAIN THE CONTRACT. THE SAFEGUARD PROVISIONS OF THE OECD AGREEMENT ALLOW FOR MATCHING COMPETITION AND THE GOI CONSEQUENTLY SAYS IT DID NOT VIOLATE THE AGREEMENT. THE COMMISSION HAS ASKED FOR PROOF OF THIS CLAIM. END SUMMARY.

2. COMMISSION AND COUNCIL SECRETARIAT OFFICIALS INFORM US THAT THE EC COMMISSION HAS RAISED SERIOUS QUESTIONS REGARDING THE TERMS OF A GOI EXPORT CREDIT AMOUNTING TO ABOUT \$800 MILLION TO THE SOVIET UNION. THIS CREDIT IS TO BE USED IN PART TO FINANCE THE
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SALE OF THREE METHANE SHIPS TO BE CONSTRUCTED BY THE BEDA CORP. IN THE PORTO MARGHERA SHIPYARD. THE TERMS OF THIS CREDIT ARE REPORTEDLY 8 YEARS MATURITY, 7.55 PERCENT INTEREST RATE AND 15 PERCENT DOWN PAYMENT. COMMISSION OFFICIALS SAY THAT BOTH THE INTEREST RATE AND DOWN PAYMENT ARE BELOW THE TERMS AGREED UPON IN THE OECD SECTORAL SHIPPING ACCORD.

3 EC COMMISSION OFFICIALS TELL US THAT COMMISSION VICE PRESIDENT HAFERKAMP DISCUSSED THIS MATTER WITH ITALIAN FOREIGN MINISTER FORLANI ON THE SIDELINES OF JAN 18 FOREIGN MINISTERS COUNCIL. HAFERKAMP REPORTEDLY MADE THE FOLLOWING POINTS: 1) THE CREDIT TERMS VIOLATED THE OECD SECTORAL AGREEMENT WHICH WAS MADE LEGALLY BINDING ON THE NINE IN A COUNCIL DECISION OF 1975 (OJ NO. L192, 7/24/75); 2) IT CONSEQUENTLY WOULD BE WITHIN THE COMMISSION'S LEGAL JURISDICTION TO REQUIRE THE GOI TO CHANGE THE PART OF THE OFFER WHICH EXCEEDS THE OECD GUIDELINES; 3) THIS CREDIT COULD DISRUPT THE EC EFFORTS TO REACH A COMMON POSITION TOWARD EFFORTS TO REVITALIZE THE EUROPEAN SHIPBUILDING INDUSTRY; 4) THE CREDIT COULD HANDICAP EC EFFORTS BOTH TO WORK WITHIN THE OECD TO ESTABLISH AN ARRANGEMENT ON SHIPBUILDING AND TO BROADEN AND STRENGTHEN THE CURRENT "CONSENSUS" ON EXPORT CREDITS; AND 5) IT COULD AGGRAVATE EC/USSR RELATIONS, SHOULD THE SOVIETS BELIEVE THE EC IS SINGLING OUT THIS PARTICULAR CREDIT. HAFERKAMP REPORTEDLY CONCLUDED THAT THE GOI SHOULD WITHDRAW THE CREDIT OR MODIFY ITS TERMS.

4. COMMISSION OFFICIALS TELL US FORLANI REPLIED THAT THE OECD SECTORAL AGREEMENT HAS A SAFEGUARD CLAUSE WHICH ALLOWS PARTICIPANTS TO MATCH CONCESSIONAL TERMS OFFERED BY COMPETITORS. THE GOI CLAIMS THAT THE GOJ MADE A CREDIT OFFER FOR THE SHIPBUILDING CONTRACT WITH TERMS SIMILAR TO ITALY'S. COMMISSION OFFICIALS DISPUTE THIS, HOWEVER, BECAUSE THE GOJ DENIES HAVING OFFERED AN OFFICIAL CREDIT AT CONCESSIONAL TERMS. JAPANESE OFFICIALS REPORTEDLY ADDED, HOWEVER, THAT A PRIVATE FIRM COULD HAVE OFFERED CONCESSIONAL TERMS TO WIN THE DEAL. HAFERKAMP CONSEQUENTLY ASKED FORLANI TO PROVIDE PROOF THAT THE GOJ PARTICIPATED IN A CREDIT OFFER. COMMISSION OFFICIALS UNDERSTAND THAT THE ITALIAN CREDIT IS A CONFIDENTIAL

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GENERAL CREDIT LINE TO THE USSR WHICH IN PART WOULD BE USED FOR THE SHIPBUILDING CONTRACT.

5. FORLANI PROVIDED ADDITIONAL EXTENUATING CIRCUMSTANCES TO HAFERKAMP CONCERNING THIS CREDIT: 1) THE SOVIETS DID NOT WANT TO BUY FROM THE GOJ BECAUSE OF THE RECENT MIG INCIDENT; CONSEQUENTLY, THIS WAS AN OPPORTUNE TIME FOR ITALY TO GET INTO THE SOVIET MARKET; 2) THE BREDAS CORP BADLY NEEDED THE BUSINESS; IT EMPLOYS 4,000; AND 3) THE CONSTRUCTION CONTRACT WOULD GO TO A DEPRESSED REGION. NOTWITHSTANDING THESE POINTS, COMMISSION OFFICIALS TELL US THAT THEY ARE CONSIDERING TAKING THIS MATTER TO THE EUROPEAN COURT OF JUSTICE SHOULD THE GOI FAIL TO FURNISH ADEQUATE PROOF REGARDING A GOJ CREDIT OFFER. THEY MAINTAIN THAT BECAUSE OF THE 1975 COUNCIL DIRECTIVE THE CREDIT MAY BE IN VIOLATION OF THE STATE AIDS PROVISIONS (ARTICLES 92 AND 93) OF THE ROME TREATY. THEY HOPE THAT THE THREAT OF LEGAL ACTION WILL CAUSE THE GOI TO RECONSIDER ITS OFFER. HINTON

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Message Attributes

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Sent Date: 21-Jan-1977 12:00:00 am
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